Australian Council of Social Service

12 February 2016
Committee Secretary
Community Affairs Legislation Committee
At: community.affairs.sen@aph.gov.au

Dear Committee Secretariat,

Re: Inquiry into the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015

Thank you for the opportunity to participate in this inquiry. ACOSS is a national voice in support of people affected by poverty, disadvantage and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

Background

The *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015* ('the current Bill') includes a package of changes to Family Tax Benefit Part A and B which originated in the 2014-15 Budget, and have since been amended in an attempt to secure the support of the Senate.

This Committee held an inquiry into an earlier iteration of this bill, the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015,* in November. Following the Inquiry, the Government amended that bill so that it included just one measure, a change to eligibility for FTB Part B for couples, which reduced the age of youngest child from 18 to 12 years of age. This Bill passed the Parliament with the support of the Opposition on 30 November 2014. ACOSS has long advocated the need for reform of FTB Part B for couples with older children, but had presented this as just one component of a package of reforms which would also address the inadequacy of family payment levels for lower income families. We are therefore disappointed that this measure was passed as a straight savings measure, in the absence of any additional support for lower income families, given high levels of child poverty particularly in single parent families.

ACOSS made a submission to the previous Inquiry, which outlined our serious concerns about the impact of proposed changes on low income families, particularly single parent families. Rather than repeat those arguments here, we attach the submission for the Committee's consideration as well as the supplementary evidence we provided on impacts on families. The submission includes an overview of the then current family payments system, an analysis of the measures contained in the previous Bill and outlines in some detail an alternative package of reforms to family payments to better target assistance to those who need it most. We note that in this Committee's final report on the Bill, the majority report stated that although most submitters supported reforms to achieve a 'simpler, fairer and better targeted family payments system', most opposed the proposed changes in that Bill.

The current Bill includes a modified package of measures which have failed to attract the support of the Senate since originally introduced in the 2014-15 budget. In introducing the Bill, the Minister for Social Services stated that its purpose was 'to pay for the Jobs for Families package' (child care reforms), while also simplifying the family payments system and providing more money on a fortnightly basis to 'those families who need it most'. We reject the linking of family payment cuts to increased investment in child care, particularly given that the current Bill, if passed, would result in significantly reduced income for the lowest income families and make the payments system more complex

Changes in the current Bill

We refer the Committee to our analysis of the previous Bill in the attached submission, noting that there are a number of amendments in the current bill which were announced by the Government in late November, including:

- Exempting single parents over 60 years of age from the changes to Part B; and
- Exempting grandparents altogether from the proposed changes to Part B.

The Government has produced little analysis of the distributional effects of the proposed changes, but available data suggests that the changes announced in November will do nothing to ameliorate the harshness of the cuts for the majority of low income families. For example, we note that just 3.6% of FTB B recipients are aged over 55 years[1], with a smaller proportion of those being single parents, and just 4000 grandparents were to have been affected by the proposed changes. The Government has adjusted the package at the margins, but the major cuts remain unchanged.

In addition to the points made in our previous submission, we would like to draw the Committee's attention to a number of other issues:

- We do not support the rapid phase out of end of year supplements in the absence of significant improvement to the adequacy of regular paymentsfor lower income families. If accompanied by the other reforms we propose, including indexation to wages, a more generous Sole Parent Supplement and increased Part A payments for older children, then a gradual reduction in the supplement component of the payment might be possible without

[1] http://data.gov.au/dataset/dss-payment-demographic-data/resource/e6457899-378e-406f-8027-a6ee8a19eec6

causing harm to vulnerable families. In the absence of these other reforms, however, ACOSS remains strongly opposed to the proposed phase out of the supplements.

- The current Bill would replace a two tiered FTB Part B payment with five payment rates: one for families with youngest child under one, one for families with youngest child aged 1-5, one for families with youngest child aged 5-13 years, one for single parents and grandparents over 60 with youngest child aged 13-18 and one for other families with youngest child aged 13-16 (noting that this leaves a gap for the majority of eligible single parents aged under 60 years with youngest chid aged 17-18 years). These changes could hardly be called a simplification of the family payments system nor a reform which improves targeting to need. Evidence that the costs of children rise as they get older does not support the withdrawal of support for 17-18 year olds in single parent families nor the additional boost for families with children under one (particularly given that Paid Parental Leave scheme or Newborn Supplement and Newborn Upfront Payment already provide support to these families).
- The expenditure component of the package, the boost to Part A by $5 a week, does not take effect until 1 July 2018. It is far too little to compensate families for the losses imposed by other changes (amounting to an estimated $48 per week for a single parent (under 60) with one child over 13 years) and it takes effect two years after the payment cuts.
- We are concerned that the Government has yet to release distributional analysis of the impacts of their proposed changes. We recommend that this be done immediately. It is vital that there is clarity about how different families will be affected, particularly given that vulnerable children and their families will clearly be affected.
- The final issue is about budget transparency. Cuts to family payments have now been on the budget books in some form for two years. With the exception of the Part B couples change, they have failed to attract the support of the Parliament. It is not acceptable for the Government to keep the proposed cuts in the budget any longer. This undermines the integrity of the budget process, as well as causing anxiety for those low income families who depend on these vital payments.

The bill in its current form should be rejected by the Senate.

Yours sincerely,

Dr Cassandra Goldie
CEO

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